

STAFF DATA
SUMMARY OF PRINCIPAL PROVISIONS OF THE
TRADE ACT OF 1970
(AMENDMENTS 925 AND 1009 TO H.R. 17550, THE
SOCIAL SECURITY AMENDMENTS OF 1970)

PREPARED BY THE STAFF
OF THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*

(NOTE: This document has not been reviewed by the Committee and does not reflect the approval or disapproval of the Committee or any member thereof.)



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(11)

CONTENTS

TITLE I. AMENDMENTS TO THE TRADE EXPANSION ACT OF 1962

Chapter 1. Trade Agreements

	Page
Sec. 101. Basic authority for trade agreements.....	1
Sec. 102. Staging requirements.....	1
Sec. 103. Foreign import restrictions.....	1
Sec. 104. National security provision 232.....	1

Chapter 2. Tariff Adjustment and Adjustment Assistance

Sec. 111. Petitions and determinations.....	2
Sec. 112. Presidential action with respect to adjustment assistance.....	2
Sec. 113. Tariff adjustment.....	3
Sec. 114. Orderly marketing agreements.....	3
Sec. 115. Increased assistance for workers.....	3

TITLE II. QUOTAS ON CERTAIN TEXTILE AND FOOTWEAR ARTICLES

Chapter 1. Textile and Footwear Articles

Sec. 201. Annual quotas.....	3
Sec. 202. Voluntary agreements.....	3
Sec. 203. Increase import authority.....	4
Sec. 204. Exclusions.....	4
Sec. 205. Administration.....	4
Sec. 206. Definitions.....	4
Sec. 211. Effective period.....	4

TITLE III. OTHER TARIFF AND TRADE PROVISIONS

Chapter 1. Amendments to Antidumping and Countervailing Duty Laws

Sec. 301. Antidumping Act, 1921.....	5
Sec. 302. Countervailing duties.....	5

Chapter 2. Tariff Commission

Sec. 311. Membership.....	5
---------------------------	---

Chapter 3. Authorizes U.S. Financial Contribution to GATT

Sec. 321. Authorization.....	6
------------------------------	---

Chapter 4. American Selling Price

Sec. 331. In general.....	6
---------------------------	---

Chapter 5. Miscellaneous Provisions

Sec. 341. United States-Canadian auto pact.....	6
Sec. 342. Certain classifications by Secretary of Agriculture.....	6
Sec. 343. Mink and certain fur skins.....	6
Sec. 344. Glycine.....	6
Sec. 345. Invoice information.....	6
Sec. 346. Trade in illegal drugs.....	6

TITLE IV. DOMESTIC INTERNATIONAL SALES CORPORATION

SUMMARY OF PRINCIPAL PROVISIONS OF THE TRADE ACT OF 1970

Title I. Amendments to the Trade Expansion Act of 1962

CHAPTER 1. TRADE AGREEMENTS

Sec. 101.—Basic Authority for Trade Agreements

Gives President authority to reduce tariffs by 20 percent, or 2 percentage points below levels existing on July 1, 1967. Authority lasts until July 1, 1973.

Sec. 102.—Staging Requirements

Permits one-half of duty reduction (10 percent) at each 1-year interval.

Sec. 103.—Foreign Import Restrictions

Provides new authority and direction to the President under section 252 of the Trade Expansion Act to act against import restrictions or other acts of other countries which unjustifiably or unreasonably burden or discriminate against U.S. commerce. An amendment to section 252(a) removes the word "agricultural" so that the President is directed to take such action as he deems necessary and appropriate when a foreign country unjustifiably restricts "any" U.S. product. Such action might include the imposition of duties or other import restriction on products of the foreign country imported into the United States.

Section 252(b) is amended by adding a provision which specifically embraces foreign export subsidies as being among those restrictions, policies or acts of foreign governments against which the President is directed to take action. In addition, the President is given new authority to take such action as he deems necessary against the imports of products from the country involved when he deems it necessary or appropriate to obtain the removal of such restrictive acts, policies, or subsidies and to provide access for U.S. products to foreign countries on an equitable basis.

Section 252(c) is amended so that the President will be directed to impose duties or other import restrictions (or to withdraw or suspend, or refrain from proclaiming trade agreement concessions) when unreasonable foreign import restrictions substantially burden U.S. commerce.

Sec. 104.—National Security Provision 232

- (a) Provides that if a national security finding is made under existing language, President cannot use higher tariffs to remedy situation;
- (b) Establishes 1-year limit on cases initiated after enactment of act.
- (c) Determinations on active, pending cases are to be made within 60 days of enactment of act.

CHAPTER 2. TARIFF ADJUSTMENT AND ADJUSTMENT ASSISTANCE

Sec. 111.—Petitions and Determinations

This section generally relaxes the stringent criteria and present law for an industry to obtain escape clause (quota, tariff) relief or for a firm or group of workers to obtain adjustment assistance.

(a) *Escape Clause*.—The amendment revises the present escape clause. It (1) removes connection with tariff concession, and substitutes a less stringent substantial cause-test of injury for “the major cause” test; (2) defines industry in terms of “portion or subdivision of producing organizations manufacturing, processing, extracting, growing like or competitive articles in commercial quantities.”

If majority of Tariff Commissioners make injury determination that majority shall also determine amount of increase in or imposition of any duty or other import restriction deemed necessary to prevent or remedy such injury. If, during the course of an escape clause investigation, Tariff Commission believes that increased imports are attributable in part to circumstances which come within the purview of the Antidumping Act, or section 303 or 337 of the Tariff Act, or other remedial provisions in law, it shall notify appropriate agency and take such other action as it deems appropriate.

“Trigger Mechanism”

If a majority of Commissioners present and voting make an affirmative injury determination, they (the majority) shall also determine whether:

(a) Imports of the particular article under an escape clause action had reached 15 percent of domestic consumption and had increased in relation to domestic consumption by 3 percentage points over the previous years level and 5 percentage points over the level 2 years prior (i.e., 15 percent 1970, 12 percent 1969, 10 percent 1968) or;

(b) If imports were found to adversely affect domestic production, actually or potentially, *and* caused a substantial decline in employment, man-hours worked or wages; *and*

(c) If import prices *and* foreign unit-wage costs were substantially below U.S. levels, *then* the majority of the Tariff Commission must make an additional injury determination and the President must implement the recommendation of the Tariff Commission, unless he declares it is the national interest not to act.

(b) *Adjustment Assistance*.—The amendment applies a substantial cause-test to adjustment assistance cases (firms and workers) as it does to escape clause (industry relief) actions under the bill. The petitions for relief under adjustment assistance must be directed at the President, but the Tariff Commission still must do a factfinding investigation.

Sec. 112.—Presidential Action With Respect to Adjustment Assistance

(a) *Escape Clause*.—If the President provides tariff relief to an industry found injured by increased imports under an escape clause action, he *may* also recommend adjustment assistance relief. If he does not provide tariff relief, he *shall* provide that firms and workers may request certificates of eligibility under the adjustment assistance provisions.

Sec. 113.—Tariff Adjustment

If the Tariff Commission finds injury to an industry, the bill provides that the President shall proclaim such import restrictions as he deems necessary to prevent serious injury, *unless* he finds it in the national interest not to do so. In the latter case, the Congress can increase the tariff by adoption of a concurrent resolution by a majority of the authorized membership of both Houses. If the President receives an affirmative injury determination under the regular escape clause preceding plus an additional affirmative finding under the trigger mechanism, he shall impose the remedy recommended by a majority of the Tariff Commission unless he determines it is not in the national interest to do so.

Under this section, the Tariff Commission shall make periodic reports to the President concerning the status of industries under escape clause action and the probable economic effect of removing the protection.

Sec. 114.—Orderly Marketing Agreements

The orderly marketing provisions of the Trade Expansion Act of 1962 are rewritten to provide that the President may at any time enter into international agreements with foreign countries limiting the exports from such countries, which may replace any mandatory quota or tariff relief under escape clause findings.

Sec. 115.—Increased Assistance for Workers

This section raises the amount of unemployment compensation from 65 percent to 75 percent of the average weekly manufacturing wage.

Title II. Quotas on Certain Textile and Footwear Articles

CHAPTER 1. TEXTILE AND FOOTWEAR ARTICLES

Sec. 201.—Annual Quotas

The amendment imposes import quotas on textile and nonrubber footwear articles at average imports for *each category* covered during years 1967–69, adjusted by quantity imported in previous year increased by not more than 5 percent in each category. Quotas take effect in 1971.

The President may exempt any textile or footwear article if he determines that such articles are not causing market disruption or that such exemption is in the national interest.

Sec. 202.—Voluntary Agreements

This section gives authority to the President to enter into bilateral or multilateral agreements to limit imports of textile or footwear articles in order to avoid market disruption. Such agreements may supersede any quotas established under section 201. This section also gives the President authority to establish mandatory quotas on any country not party to such agreements.

Sec. 203.—Increase Import Authority

This section of the amendment authorizes the President to increase imports of any category of textile or footwear articles whenever he determines that the supply of those articles subject to limitation will be inadequate to meet domestic demand at reasonable prices.

Sec. 204.—Exclusions

This section provides that limitations shall not apply to articles of foreign tourists, personnel of foreign governments and international organizations. It also excludes household effects used abroad and personal effects not imported in pursuance of an agreement and not intended for sale or articles sent by persons in foreign countries as gifts to persons in the United States; articles carried on person or contained in baggage of persons arriving in the United States, tools-of-trade of persons arriving in the United States. Articles subject to the long-term Cotton Textile Agreement are also exempt so long as the United States is party thereto.

Sec. 205.—Administration

The President shall establish such procedures as may be necessary to carry out provision of this act. The Secretary of Commerce shall certify to the Secretary of the Treasury total quantity of textile and footwear articles affected by limitations for each period, and the Secretary of the Treasury shall take action as may be necessary to insure that level of imports does not exceed quantity so certified.

Sec. 206.—Definitions

The bill defines textile articles to include any article in whole or in part of cotton, wool, or other animal hair (including human hair), manmade fiber, or any combination or blend thereof, or cordage of hard fibers; any article classified under subpart B or C of part 1 of schedule 7 of wholly or in chief value of cotton, wool, or manmade fiber or any other article specified by the Secretary of Commerce which would be classified under any of the foregoing provisions of the schedules but for the inclusion of other materials which causes the article to be classified elsewhere.

Footwear articles include footwear provided for in any items 700.05–700.45 inclusive, item 700.55, items 700.66–700.80 and 700.85. (This includes all leather footwear and excludes all rubber footwear except zoris, soft sole footwear, and footwear having supported vinyl uppers).

Sec. 211.—Effective Period

This section makes quotas applicable for 5-year period or less as determined by the President; quotas be extended for additional 5-year period if the President deems it in national interest.

Title III. Other Tariff and Trade Provisions

CHAPTER 1. AMENDMENTS TO ANTIDUMPING AND COUNTERVAILING DUTY LAWS

Sec. 301.—Antidumping Act, 1921

Under the amendment the Secretary of the Treasury must order withholding of appraisement within 4 months after complaint is received and published in Federal Register, if he determines there is reason to believe that there are sales at less than fair value. There are no time limits in present law.

If preliminary determination by the Secretary is affirmative, withholding of appraisement will last until Secretary reaches a further finding.

If preliminary determination by the Secretary is negative, he must publish that fact in the Federal Register but may within 3 months thereafter issue a withholding of appraisement order if he finds sales at less than fair value.

This section of the amendment also provides that with respect to dumping from a State-controlled economy, foreign market value can be determined by prices at which similar merchandise is offered in non-State controlled economies or may be a constructed value.

Sec. 302.—Countervailing Duties

This section of the amendment puts a 1-year time limit on the Secretary for reaching determinations under section 303 of the Tariff Act. There is no time limit in present law.

It also provides the Secretary with discretion not to impose countervailing duties on articles subject to quantitative restrictions, unless the Secretary deems them appropriate.

Finally, the countervailing duty statute is made applicable to duty-free articles if material injury is found. The injury test is the same as in the Antidumping Act and only applies to those articles that are duty free so as to conform this addition to the GATT requirements. The other provisions preceded GATT and therefore do not need an injury finding.

CHAPTER 2. TARIFF COMMISSION

Sec. 311.—Membership

This section sets a seven man commission with terms of 7 years. No more than four members can be in same political party. Present law provides for six members with 6-year terms, no more than three of which can be of same political party.

CHAPTER 3. AUTHORIZES U.S. FINANCIAL CONTRIBUTION TO GATT**Sec. 321.—Authorization**

This section authorizes to be appropriated U.S. share of expenses of General Agreement on Tariffs and Trade. U.S. cost would be about \$570,000 or 16.4 percent of total cost.

CHAPTER 4. AMERICAN SELLING PRICE**Sec. 331.—In General**

The House bill gives the President authority to repeal ASP on chemicals if he determines foreign concessions under the agreement fully compensate concessions which would be made by the United States. The agreement would go into effect unless majority of Members of both Houses vote it down within 60 days after it is submitted to Congress. ASP would remain on rubber-soled footwear.

CHAPTER 5. MISCELLANEOUS PROVISIONS**Sec. 341.—United States-Canadian Auto Pact**

This section extends the adjustment assistance under the Automotive Products Act of 1965 and applies a "substantial cause" criteria of injury to these cases instead of "a primary cause" criteria.

Sec. 342.—Certain Classifications by Secretary of Agriculture

This section gives the Secretary of Agriculture exclusive authority for making classification decisions under part 3 of the appendix of the TSUS (dealing with import quotas under section 22 of the Agriculture Adjustment Act).

Sec. 343.—Mink and Certain Fur Skins

Mink.—Establishes a tariff quota on mink—25 percent ad valorem, on imports over 4.6 million pelts. Also freezes duty on mink coats at 14 percent ad valorem.

Furs.—Repeals embargo on fur skins from Soviet Union.

Sec. 344.—Glycine

Establishes tariff quota of 8.5 percent ad valorem, plus 25 cents per pound on imported glycine of over 1.5 million pounds.

Sec. 345.—Invoice Information

Requires invoices of imported merchandise contain certain information as to product description.

Sec. 346.—Trade in Illegal Drugs

Gives the President authority to impose an embargo or suspend trade with any country which permits uncontrolled or unregulated trafficking in opium, heroin, or other illicit drugs for ultimate disposition in this country.

Title IV. Domestic International Sales Corporation

This title adds a new part IV to subchapter N of chapter 1 of the IRC establishing Domestic International Sales Corporations.

In essence, it is the administration's proposal with some transitional rules to mitigate immediate budgetary impact of DISC. A DISC is defined as a domestic corporation in which:

- (A) 95 percent or more of gross receipts consist of qualified export receipts;
- (B) Export assets are 95 percent of total assets;
- (C) No more than one class of stock exists and the par value is at least \$2,500 on each day of taxable year;
- (D) Corporation has made election during taxable year to be treated as a DISC.

